

SECURITY



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**ANNUAL AUDITED REPORT
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FACING PAGE**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING January 1, 2008 AND ENDING December 31, 2008
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**NAME OF BROKER-DEALER: Rice Pontes Capital, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM ID. NO.

2001 Crow Canyon Road, Suite 150

(No. and Street)

San RamonCalifornia94583

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

David Rice(925) 362-9571

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates, Inc. Certified Public Accountants

(Name — if individual, state last, first, middle name)

9221 Corbin Avenue, Suite 170NorthridgeCalifornia91324

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

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3/9/09

Rice Pontes Capital, Inc.
Report Pursuant to Rule 17a-5 (d)
Financial Statements
For the Year Ended December 31, 2008

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BREARD & ASSOCIATES, INC.
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Rice Pontes Capital, Inc.:

We have audited the accompanying statement of financial condition of Rice Pontes Capital, Inc. (the Company) as of December 31, 2008, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rice Pontes Capital, Inc. as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Breard & Associates, Inc.
Certified Public Accountants

Oakland, California
February 13, 2009

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Rice Pontes Capital, Inc.
Statement of Financial Condition
December 31, 2008

Assets

| | |
|---------------------------------|-------------------------|
| Cash | \$ 14,274 |
| Commissions receivable | 11,804 |
| Receivable from related parties | <u>1,802</u> |
| Total assets | <u>\$ 27,880</u> |

Liabilities and Stockholders' Equity

Liabilities

| | |
|---------------------------------------|------------------|
| Accounts payable and accrued expenses | <u>\$ 11,803</u> |
| Total liabilities | 11,803 |

Stockholders' equity

| | |
|---|-------------------------|
| Common stock, 1,000 shares authorized, 200 shares issued and outstanding | 12,735 |
| Retained earnings | <u>3,342</u> |
| Total stockholders' equity | <u>16,077</u> |
| Total liabilities and stockholders' equity | <u>\$ 27,880</u> |

The accompanying notes are an integral part of these financial statements.

Rice Pontes Capital, Inc.
Statement of Operations
For the Year Ended December 31, 2008

Revenues

| | |
|---------------------|---------------------|
| Commissions revenue | <u>\$ 1,289,953</u> |
|---------------------|---------------------|

| | |
|-----------------------|-----------|
| Total revenues | 1,289,953 |
|-----------------------|-----------|

Expenses

| | |
|--------------------------|-----------------|
| Commissions | 1,289,953 |
| Professional fees | 8,188 |
| Other operation expenses | 20,243 |
| Reimbursed expenses | <u>(29,231)</u> |

| | |
|-----------------------|------------------|
| Total expenses | <u>1,289,153</u> |
|-----------------------|------------------|

| | |
|--|-----|
| Net income (loss) before income tax provision | 800 |
|--|-----|

| | |
|-----------------------------------|------------|
| Total income tax provision | <u>800</u> |
|-----------------------------------|------------|

| | |
|--------------------------|--------------------|
| Net income (loss) | <u><u>\$ -</u></u> |
|--------------------------|--------------------|

The accompanying notes are an integral part of these financial statements.

Rice Pontes Capital, Inc.
Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2008

| | <u>Common Stock</u> | | <u>Retained</u> | <u>Total</u> |
|------------------------------|---------------------|------------------|-----------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Earnings</u> | <u>Stockholders'</u> |
| | | | | <u>Equity</u> |
| Balance at December 31, 2007 | 200 | \$ 12,735 | \$ 3,342 | \$ 16,077 |
| Net income (loss) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance at December 31, 2008 | <u>200</u> | <u>\$ 12,735</u> | <u>\$ 3,342</u> | <u>\$ 16,077</u> |

The accompanying notes are an integral part of these financial statements.

Rice Pontes Capital, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2008

Cash flows from operating activities:

| | | | |
|---|----|--------------|--------------|
| Net income (loss) | | \$ | — |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | |
| (Increase) decrease in: | | | |
| Commissions receivable | \$ | (2,480) | |
| Receivable from related parties | | 1,007 | |
| (Decrease) increase in: | | | |
| Accounts payable and accrued expenses | | <u>2,479</u> | |
| Total adjustments | | | <u>1,006</u> |
| Net cash provided by (used in) operating activities | | | 1,006 |

Cash flows from investing activities:

—

Cash flows from financing activities:

—

Net increase (decrease) in cash 1,006

Cash at beginning of year 13,268

Cash at end of year \$ 14,274

Supplemental disclosure of cash flow information:

Cash paid during the year for

| | | |
|--------------|----|-----|
| Interest | \$ | — |
| Income taxes | \$ | 800 |

The accompanying notes are an integral part of these financial statements.

Rice Pontes Capital, Inc.
Notes to Financial Statements
December 31, 2008

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Rice Pontes Capital, Inc. (the "Company"), was incorporated in the State of California on December 18, 1995. The Company is registered as a broker/dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investors Protection Corporation ("SIPC").

The Company is engaged in business as a securities broker-dealer, which comprises several classes of services, including mutual funds, variable annuities and direct participation program retail sales.

The Company does not hold customer funds or securities and conducts business on a fully disclosed basis, whereby all transactions are cleared by another broker/dealer and accordingly, is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(1).

Summary of Significant Accounting Policies

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables from brokers, dealer and clearing organizations represent commissions earned on security transactions, are recorded on a trade date basis. Commission receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

The Company has elected to be an S Corporation and, accordingly, has its income taxed under Sections 1372-1379 of the Internal Revenue Code. Subchapter S of the Code provides that the Stockholders, rather than the Company, are subject to tax on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements.

Rice Pontes Capital, Inc.
Notes to Financial Statements
December 31, 2008

Note 2: INCOME TAXES

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company has elected the S Corporate tax status, therefore no federal income tax provision is provided. The tax provision included in these statements is the California minimum franchise tax of \$800.

Note 3: RELATED PARTY TRANSACTIONS

The Company has an administrative agreement with an entity affiliated through common ownership whereby during the year ended December 31, 2008 the Company incurred \$600 for certain costs and services, including rent.

Note 4: RECEIVABLE FROM RELATED PARTIES

The Company has entered into agreements with its shareholders, who are also registered representatives, whereby the Company agrees to pay out 100% of the sales commissions earned by each registered representative. The shareholders, in turn, have agreed to reimburse the Company for 100% of the operating expenses incurred and paid by the company. As of December 31, 2008 the shareholders owe the Company a total of \$1,802.

Note 5: CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counter-parties primarily include mutual funds, variable annuities and direct participation program vendors. In the event counter-parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counter-party.

Note 6: RECENTLY ISSUED ACCOUNTING STANDARDS

For the year ending December 31, 2008, various accounting pronouncements or interpretations by the Financial Accounting Standards Board were either newly issued or had effective implementation dates that would require their provisions to be reflected in the financial statements for the year then ended. The Company has reviewed the following Financial Interpretation ("FIN") and Statements of Financial Accounting Standards ("SFAS") for the year to determine relevance to the Company's operations:

Rice Pontes Capital, Inc.
Notes to Financial Statements
December 31, 2008

Note 6: RECENTLY ISSUED ACCOUNTING STANDARDS
(Continued)

| <u>Statement Number</u> | <u>Title</u> | <u>Effective Date</u> |
|-----------------------------|--|-----------------------|
| FIN 48 | Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109 | After 12/15/07 |
| SFAS 141(R) | Business Combinations | After 12/15/08 |
| SFAS 157 | Fair Value Measurements | After 12/15/07 |
| SFAS 160 | Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51 | After 12/15/07 |
| SFAS 161 | Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133 | After 12/15/08 |

The Company has either evaluated or is currently evaluating the implications, if any, of each of these pronouncements and the possible impact they may have on the Company's financial statements. In most cases, management has determined that the pronouncement has either limited or no application to the company and, in all cases, implementation would not have a material impact on the financial statements taken as a whole.

Note 7: NET CAPITAL

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2008, the Company had net capital of \$14,275 which was \$9,275 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$11,803) to net capital was 0.83 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

Rice Pontes Capital, Inc.
Schedule I - Computation of Net Capital Requirements
Pursuant to Rule 15c3-1
As of December 31, 2008

Computation of net capital

| | | |
|---------------------------------|----------------|----------------|
| Stockholders' equity | | |
| Common stock | \$ 12,735 | |
| Retained earnings | <u>3,342</u> | |
| Total stockholders' equity | | \$ 16,077 |
| Less: Non-allowable assets | | |
| Receivable from related parties | <u>(1,802)</u> | |
| Total non-allowable assets | | <u>(1,802)</u> |
| Net Capital | | 14,275 |

Computation of net capital requirements

| | | |
|---|----------|------------------------|
| Minimum net capital requirements | | |
| 6 2/3 percent of net aggregate indebtedness | \$ 787 | |
| Minimum dollar net capital required | \$ 5,000 | |
| Net capital required (greater of above) | | <u>5,000</u> |
| Excess net capital | | <u>\$ 9,275</u> |

Ratio of aggregate indebtedness to net capital 0.83: 1

There was no material difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2008.

See independent auditor's report

Rice Pontes Capital, Inc.
Schedule II - Computation for Determination of Reserve
Requirements Pursuant to Rule 15c3-3
As of December 31, 2008

A computation of reserve requirement is not applicable to Rice Pontes Capital, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(1).

See independent auditor's report

Rice Pontes Capital, Inc.
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2008

Information relating to possession or control requirements is not applicable to Rice Pontes Capital, Inc. as the Company qualifies for exemption under Rule 15c3-3 (k)(1).

See independent auditor's report

Rice Pontes Capital, Inc.
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2008

BREARD & ASSOCIATES, INC.

Certified Public Accountants

Board of Directors
Rice Pontes Capital, Inc.:

In planning and performing our audit of the financial statements of Rice Pontes Capital, Inc. (the Company), as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(1) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Breard & Associates, Inc.
Certified Public Accountants

Oakland, California
February 13, 2009